(b) if so, the details thereof;

(c) whether through such scheme Government is trying to legalize money lending in rural areas; and

(d) if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The Internal Group set up by the Reserve Bank of India submitted its report and the major recommendations contained in the report included the following:-

- Linkages between banks and external entities may be established under two broad models; (i) Business Facilitator (BF) Model wherein banks Management may use civil society organisations (CSOs) and others for undertaking non-financial service and (ii) Business Correspondent (BC) Model wherein institutional agents/other external entities could support the banks for extending financial services.

Based on the recommendations, and with the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, banks have been permitted, to use the services of Non-Government Organizations (NGOs)/Self Help Groups (SHGs), MFIs and other civil society organisations as intermidediaries in providing financial and banking services through the use of BF and BC models.

Further, Reserve Bank of India had set up a Technical Group to review the efficacy of the existing legislative framework that governs money lending as also the enforcement machinery in different States and make recommendations for its improvement. The model legislation proposed by the Technical Group, *inter-alia*, provides for the following:

- a simple and hassle free procedure for compulsory registration and periodical renewal of their registration by money lenders;
- a simplified dispute resolution mechanism to ensure better enforcement;
- adoption of the rule of 'Damdupat' restricting the maximum amount of interest chargeable by the money lender.

The group has also recommended establishment of a link between the formal and informal credit providers, whereby a money lender can be made an 'Accredited Loan Provider' (with safeguard measures) to serve as an additional credit delivery channel for the formal sector.

The report of the Group has been submitted and is placed on the website of RBI for comments of the stakeholders. The process of consultation is to take some time as the report has been sent to all the State Governments also for their comments. In the circumstances to time frame for its implementation can be specified.

(c) No, Sir.

(d) Does not arise.

Credit extended to agriculture sector by Cooperative Banks

795. SHRI ABU ASIM AZMI: Will the Minister of FINANCE be pleased to state:

(a) whether the shares of the Cooperative Banks in providing credit to agriculture and allied sector has declined continuously;

(b) if so, the details thereof and the reasons therefor;

(c) the details of credit flow for agriculture during 2006-07 as compared to 2005-06;

(d) whether Government has identified major bottlenecks in the smooth flow of credit; and

(e) if so, the remedial steps taken by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) The credit flow of Cooperative Banks has been increasing consistently in absolute terms, however, their share has declined in terms of percentage due to the rapid growth in credit flow achieved by the Commercial Banks and Regional Rural Banks.

(Rs. in crores)

Agency	2003-04	2004-05	2005-06	2006-07*
Cooperative Banks	26,875	31,231	39,404	42,480
	(30.90%)	(24.92%)	(21.83%)	(20.90%)
Total credit flow	86,981	1,25,309	1,80,486	2,03,296

**Figures provisional*

Figures in percentage represent the shares of Cooperative Bank in total credit flow.

The Cooperatives, over the years developed a number of structural, organizational, managerial and financial weakneses which have hampered their capacity to purvey ground level credit. However, Government had announced a Revival Package for revival of Short Term Cooperative Credit Structure, which is under implementation.

(d) and (e) The Working Group on 'Outreach of Institutional Finance and Cooperative Reforms' set up by the Planning Commission ahs identified the major bottlenecks in smooth flow of credit. These are, *inter-alia*, as under:-

- Higher effective cost of borrowing prevents a large number of customers from accessing institutional credit.
- The single most important constraint faced by the rural poor is provision of suitable collateral to banks. Many of the farmers have virtually no collateral.
- Lack of adequate risk mitigation products to cover production and income risks of farmers.

The Government has intiated number of steps as remedial measures. These include—

- Commercial Banks and Regional Rural Banks have been advised to finance 50 lakh new farmers during the year.
- The Government of India has stipulated a target of Rs. 2,25,000 crore for credit flow to agriculture by all the banks during 2007-08.
- Banks have been advised to provide all eligible farmers with Kisan Credit Cards to enable them to have hassle free access to credit.
- Agriculture loans upto Rs. 50,000/- has been made collateral free.

Branches of Private and Foreign Banks in rural areas

796. SHRI T.T.V. DHINAKARAN: Will the Minister of FINANCE be pleased to state:

(a) whether Private and Foreign Banks are not willing to set up branches in rural areas; and